

Message Text

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ACTION EB-07

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NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 7090

INFO AMEMBASSY GEORGETOWN

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E.O. 11652/ N/A

TAGS: ETRD, JM

SUBJECT: GOJ ANNOUNCES 1975 IMPORT CEILING OF J\$900 MILLION

1. CITING THE BALANCE OF PAYMENTS AND LIMITED FOREIGN EXCHANGE RESERVES, GOJ MINISTER OF MARKETING AND COMMERCE VIVIAN BLAKE ANNOUNCED 1975 IMPORT RESTRICTIONS OF J\$900 MILLION, ONLY 6PERCENT HIGHER THAN 1974 IMPORTS. HE INDICATED THAT IMPROVEMENT IN THE FOREIGN EXCHANGE POSITION COULD PERMIT RELAXATION OF THE CEILING LATER IN THE YEAR AS HAD HAPPENED IN 1974. TOTAL 1974 IMPORTS ARE EXPECTED TO BE ABOUT J\$850 MILLION OR 17 PERCENT MORE THAN THE ORIGINAL 1974 TARGET OF \$645 MILLION. BLAKE SAID THE MAIN REASONS THE TARGET WAS EXCEEDED WERE (1) THE INCREASES IN THE PRICES OF FOOD, FUEL, AND RAW MATERIALS, AND (2) OVER PURCHASING OF RAW MATERIALS BY THE MANUFACTURING SECTOR WHEN RAW MATERIALS WERE REMOVED FROM LICENSING REQUIREMENTS.

2. THE 1975 ALLOCATIONS ARE AS FOLLOWS: FOOD \$135

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MILLION, AND INCREASE OF 37.7 PERCENT, AND OTHER CONSUMER

GOODS J\$85 MILLION, AN INCREASE OF 27 PERCENT; RAW MATERIALS (EXCLUDING PETROLEUM) J\$260 MILLION, AND INCREASE OF 28 PERCENT; PETROLEUM PRODUCTS J\$190 MILLION, A 29.3 PERCENT INCREASE; AND CAPITAL GOODS J\$230 MILLION OR AN INCREASE OF 9.5 PERCENT OVER THE 1974 FIGURE. BLAKE STATED THE REASON FOR AN OVERALL INCREASE OF 33 PERCENT FOR CONSUMER GOODS COMPARED TO ONLY 9.5 PERCENT FOR CAPITAL GOODS WAS DUE TO PRICE INCREASES, GROWING POPULATION AND DEMAND, AND BAD WEATHER WHICH HAD AFFECTED LOCAL AGRICULTURAL PRODUCTION.

3. COMMENTING ON THE 1975 CEILING, OPPOSITION LEADER SEAGA SAID IT WAS COMPLETELY UNREALISTIC SINCE IT PERMITTED AN INCREASE OF ONLY \$50 MILLION, COMPARED TO AN INCREASE OF \$250 MILLION IN THE PREVIOUS YEAR. THE REAL REASON FOR THE CEILING WAS A STEADILY WORSENING TRADE BALANCE DESPITE IMPROVEMENT IN THE EARNINGS FROM BAUXITE AND SUGAR. ALTHOUGH THE GOJ HAD TO DEAL WITH THE BALANCE OF PAYMENTS PROBLEM IT HAD TO RECOGNIZE THAT A REDUCED FLOW OF GOODS WOULD ADD TO UNEMPLOYMENT, INCREASED PRESSURE ON PRICES, AND CONTRIBUTE TO A HIGHER COST OF LIVING. SEAGA SAID EMPLOYMENT IN THE DISTRIBUTIVE SECTOR HAD FALLEN BY 12,000 PEOPLE BECAUSE OF CUTBACKS IN SOMMERICAL EMPLOYMENT AND ALONG WITH PRESENT LAYOFFS IN A VARIETY OF INDUSTRIES WAS CAUSING A BUILDUP OF UNEMPLOYMENT AMONG CLERICAL, AGRICULTURAL AND FACTORY WORKERS WHICH THE CRASH PROGRAM DID NOT HELP.

4. COMMENT: THERE IS LITTLE DOUBT THAT THE 1975 IMPORT CEILING IS UNREALISTIC SINCE IT ALLOWS FOR ONLY A 6 PERCENT INCREASE OVER 1974. RELAXATION OF CONSUMER GOODS IMPORTS COMPARED TO CAPITAL GOODS REFLECTS GOJ CONCERN ABOUT STEADILY GROWING MIDDLE CLASS CONSUMER COMPLAINTS ABOUT SHORTAGES, POOR QUALITY AND HIGH PRICE OF LOCAL GOODS, ETC. IF THE TARGET IS ACHIEVED, IT WILL BE AT THE EXPENSE OF THE PRODUCTIVE SECTOR WHICH IS HIGHLY DEPENDENT ON IMPORTED RAW MATERIAL AND CAPITAL GOODS. AT THE SAME TIME A TIGHT REIGN ON IMPORTS IS ABSOLUTELY NECESSARY IF THE GOJ IS TO MANAGE ITS CURRENT ACCOUNT DEFICIT AND KEEP SHORT TERM BORROWING TO A MINIMUM. FIRST LIMITED OFFICIAL USE

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NATIONAL BANK OF CHICAGO MANAGER TOLD EMBOFFS HIS BANK IS ATTEMPTING TO ARRANGE J\$30 MILLION LOAN FOR GOJ, ABOUT HALF AMOUNT FNBC CONSORTIUM LOANED LAST YEAR. LIKE OTHER GOVERNMENTS THE GOJ IS DISCOVERING THAT CENTRAL GOVERNMENT PLANNING HAS ITS HAZARDS AND THAT THE REMEDY FOR ONE ILLNESS EXACERBATES THE SYMPTOMS OF ANOTHER. GERARD

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